



CITY FOCUS

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A CHALLENGING ECONOMY

The City of Monterey is bracing for budget challenges in the year ahead due to a downturn in the national economy, a massive state budget deficit and an anticipated loss of revenue. The City began work on the 2009-2010 Budget immediately after the City Council approved the 2008-2009 Budget in June.

For 2008-2009, the City's \$108 million budget is comprised of \$60 million in the General Fund, \$42 million in special funds, \$4 million in capital improvements and nearly \$2 million for the Neighborhood Improvement Program. Special funds, such as the Parking Fund and Housing Fund, are limited to specific uses. More than one-quarter (27%) of the revenue for the City's general fund comes from the transient occupancy tax (TOT), the tax visitors pay for staying in local hotels. Property taxes account for 15% percent of the general fund and sales taxes are 14%.

A decline in tourism caused by the national recession reduced the number of overnight stays in Monterey hotels and sales receipts at local restaurants and shops over the last several months. A bright spot, the new hotel on Cannery Row, Intercontinental The Clement, bolstered TOT revenue when it opened last spring. New store openings at Del Monte Center, including Pottery Barn, Williams-Sonoma and Apple Computer, were expected to boost sales tax revenue. A slump in the housing market, however, meant property tax revenue related to home sales will flatten out.

Against this uncertain economic backdrop, the City adopted a balanced 2008-2009 Budget by living within its means. As part of this, dozens of worthwhile and even necessary requests for additional staffing and equipment were not included in the budget.

A projected \$1.2 million shortfall in the 2009-2010 Budget is being planned for now, as City staff looks for ways to find new revenue and/or reduce spending. The shortfall is occurring because the payback of a long-term obligation from the Cannery Row Redevelopment area to the General Fund is reaching its conclusion.

The City of Monterey has a strong track record of projecting revenue estimates. In this climate, the City's conservative revenue projections will result in a slowdown in long-term projects and programs, especially in planning, facility maintenance, infrastructure improvements and capital renewal. Even so, the City will move forward.

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